

BUDGET BUREAU  
No. 40-R 1523  
Approval Expires 6-30-47

# **INSTALLATION LOANS**

## **PROCEDURE**

**FINANCED UNDER  
SECTION 5 OF THE  
RURAL ELECTRIFICATION ACT  
OF 1936 (AS AMENDED)**



**wiring  
plumbing  
appliances  
equipment**



**RURAL ELECTRIFICATION ADMINISTRATION • U. S. DEPARTMENT OF AGRICULTURE**

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U. S. DEPARTMENT OF AGRICULTURE  
RURAL ELECTRIFICATION ADMINISTRATION

INSTALLATION LOAN PROCEDURE  
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*REA*



The most valuable section can be obtained from electric service companies who are in the Rural Electrification Act of 1936 for financing consumer installations of wiring, piping and electric equipment in homes owned by consumers.

In the past many cooperatives had a need for this kind of credit to make adequate facilities of electrical equipment available to their consumers. Some cooperatives by 1937 which are no longer in existence.

## INTRODUCTION

Installation loans funds are available for the purpose of financing equipment, appliances and installations the consumers served by cooperatives which have received Section 5 loans.

In those areas where laws prohibit cooperatives from financing consumers' individual loans may be made to any person, like an organization supplying or installing wiring, appliances, or equipment which is approved by the Administrator.

This manual furnishes detailed instructions for the administration of the installation loan program, and explains the revised procedure for handling such loans.

The manual is divided into two major sections, (1) general procedure for administering the program, and (2) accounting procedure for installation loans.

These instructions are for the guidance of all REA Cooperatives\* and cover all procedures, from the loan application until the loan is repaid to the Government.

The most accurate tools and basic electrical equipment and appliances which make the installation loans safe, are made by any recognized national organization such as the American Standards Association, Bureau of Standards, and professional engineering societies, or approved by recognized national testing organizations such as Underwriters Laboratories.

### What Cannot be Financed

Any wiring, piping, or electrical equipment known to impair the quality of electric service or rural power systems, or that is otherwise inconsistent with good operating practices of such systems, shall not be financed. If such loans were granted, the Secretary of the Rural Electrification Administration will be so advised in this report.

\*The term "cooperative" refers to any REA borrower of loans under Section 5 of the Rural Electrification Act, and is used throughout this manual to avoid confusion in referring to loans of consumers.

W O T T O D O O T M I

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## CHAPTER I. PURPOSE OF INSTALLATION LOANS

So that maximum benefits may be obtained from electric service, provision was made in the Rural Electrification Act of 1936 for financing consumer installations of wiring, plumbing and electric equipment on terms suited to consumer's needs.

In the past many cooperatives had a need for this source of credit to make adequate wiring and electric equipment available to their consumers. Similar types of loans were made by EHFA which is no longer in existence.

Installation Loan funds are solely for the purpose of financing equipment, appliances and installations for consumers served by cooperatives which have received Section 4 Loans.

In those states where laws prohibit cooperatives from financing consumers' equipment, loans may be made to any person, firm or corporation supplying or installing wiring, appliances, or equipment, as specifically approved by the Administrator.

### 1. What Can be Financed

Loans made pursuant to Section 5 of the Rural Electrification Act may be used for financing the acquisition and installation of the following:

- A. Farm and household wiring, including lighting fixtures.
- B. Complete plumbing installations, including electric pump, pressure tank, septic tank, piping, sink, toilet, washbowl and bathtub or shower compartment.
- C. All manufactured farm and home electrical equipment and appliances which meets the minimum requirements established by any recognized national organizations such as the American Standards Association, Bureau of Standards, and professional engineering societies, or approved by recognized national testing organizations, such as Underwriters Laboratories.

### 2. What Cannot be Financed

- A. Any wiring, plumbing, or electrical equipment known to impair the quality of electric service on rural power systems, or that is otherwise inconsistent with good operating practices on such systems, shall not be financed through loans made pursuant to Section 5 of the Act and borrowers will be so advised by this agency.

## CHAPTER II. APPLYING TO REA FOR AN INSTALLATION LOAN

### 1. Determining Needs for Financing

In determining the amount of funds needed during the year for consumer financing, consider all phases of power utilization activities.

Cooperative officials should determine the amount of funds needed for one year, since only one Installation Note will be required for each allocation. If financing requirements have been underestimated, additional allocations may be made during the year provided funds are available.

### 2. Setting up the Credit Committee

The Board of Directors should set up a Credit Committee consisting of not less than three persons, a majority of them members of the Board.

The effectiveness of the Installation Loan program rests to a large extent with the Credit Committee. It must carefully consider each consumer application for financing and make appropriate recommendations to the Board of Directors. The credit of the consumer, as well as the dealer selling the merchandise, should be thoroughly investigated.

The Credit Committee, as well as the entire Board of Directors, should bear in mind that Installation Loans must be self-liquidating if the program is to succeed.

### 3. Resolution by Board of Directors

A suggested resolution by the Board of Directors for use in applying to REA for an Installation Loan is shown on P.4. The total sum requested is broken into specific purposes for use in determining needs. However, funds for the various purposes may be interchangeable and no budget change will be required by REA.

CHAPTER II. - 3 (Continued)

SUGGESTED RESOLUTION FOR USE IN APPLYING FOR SECTION 5 LOANS

RESOLVED, That the President, Secretary and Treasurer of the Cooperative, and each of them (with full power to act without the others) are hereby authorized and directed to execute and forward to the Rural Electrification Administration an application for an Installation Loan in the sum of \$\_\_\_\_\_ for the following purposes:

1. To finance farmstead wiring and fixtures \$\_\_\_\_\_
2. To finance farmstead plumbing and fixtures \$\_\_\_\_\_
3. To finance the purchase and installation of various electrical appliances and equipment \$\_\_\_\_\_
4. Other (irrigation, etc.) \$\_\_\_\_\_

such loan to be used to finance installations on the premises of approximately \_\_\_\_\_ rural consumers: and

RESOLVED, that said officers, and each of them, are further authorized and directed on behalf of the Cooperative to take any and all further action which may be necessary or advisable to effect such loan;

BE IT FURTHER RESOLVED, that there is hereby established a Credit Committee consisting of the following members, (not less than 3, a majority of them members of the Board)

The duty of which shall be to consider each consumer's application for financing and to make appropriate recommendation to the Board of Directors.

CERTIFICATION

I, \_\_\_\_\_, Secretary of the \_\_\_\_\_ Electric Cooperative Inc., do hereby certify that the foregoing is a true and correct copy of the minutes of the regular meeting of the Board of Directors of the \_\_\_\_\_ Electric Cooperative, Inc. of (State), held this day of \_\_\_\_\_ 194\_\_\_\_\_, as they appear in the minute book of the Corporation, and that they have not been rescinded or modified.

\_\_\_\_\_  
Secretary of the

\_\_\_\_\_  
Electric Cooperative, Inc.

## CHAPTER II. (Continued)

### 4. Loan Documents

After the application for an Installation Loan has been approved and the allocation made, the forms of documents and complete instructions concerning their execution will be forwarded to the cooperative.

These documents should be retained in a safe place by the cooperative along with other documents relating to contracts or loans between the cooperative and REA.

## CHAPTER III. REQUISITIONING FUNDS AND SELECTION OF DEPOSITORY

Funds are requisitioned through the medium of the Monthly Installation Loan Report (Form AL-69) and the Public Voucher (Form Fi-9) on the basis of the cooperative's estimated needs.

These forms should be prepared in accordance with instructions given in Chapter IV, Pages 6, 7, 8, 9, 11 and 12 of this manual.

After these documents have been processed by REA, the amount approved is transmitted by check to the cooperative.

The new procedure requires the issuance of only one Installation Note which is executed at the time the Loan Contract is executed. Interest will accrue on only the actual amounts advanced, beginning on the date the check representing the advance is issued. Therefore, it will be advantageous to the cooperative to requisition funds in only those amounts necessary for immediate needs, in order to avoid paying interest on amounts in excess of the current requirements.

Selection of Depository: The cooperative should immediately deposit the check representing the advance in its Installation account in an approved depository designated on the Public Voucher. Any depository which has been approved previously by REA may be used to receive funds advanced under an Installation Loan requisition.

#### CHAPTER IV. PREPARATION OF MONTHLY INSTALLATION LOAN REPORT

Each cooperative using Installation Loan funds will submit a report monthly to REA regarding Installation Loan activities. Form AL-69, Monthly Installation Loan Report, and Form L-150, Attorney's Opinion (see Page 11), should be completed for that purpose. If, a request for funds is made in connection with the monthly report, Form Fi-9, Public Voucher, must accompany the requisition.

##### 1. Instructions for Preparing Form AL-69

Form AL-69 should be prepared in quadruplicate at the end of each month, three copies of which should be submitted to REA not later than the 10th of the following month. In those instances where an advance of funds has been requested on the form, the triplicate copy will be returned by REA to the cooperative after processing, after which the quadruplicate may be destroyed.

If, during any month, no loans have been made to consumers and no expenditures have been made to contractors or dealers, and no funds are requested, Form AL-69 should be submitted in triplicate to REA by the 10th of each month with the legend, "No Change From Last Month", written across the face.

Form AL-69 should be prepared in accordance with the following instructions:

In the portion of the form above block "A", fill in the System Designation, Date and System Register Number, beginning with "1" and running numerically thereafter.

##### A. Status of Loans to Consumers.

This section of the form lists the general purposes for which loans of installation funds have been made to consumers. When preparing subsequent monthly reports, the loans made during the current month should be added to the "Total Loans to Date" as reported the previous month to report correctly the "Total Loans to Date".

##### B. Requisition-Expenditure Report

These instructions are for the purpose of indicating how the amounts to be reported on each respective line are to be procured.

a. Total Installation Allocations - The amount to be recorded on this line is the aggregate amount of Installation Loan allocations approved by REA for the system. This figure usually will remain unchanged unless amounts are recorded by REA on Line 13, New Allocations Recorded, on your previous monthly report.

CHAPTER IV. 1 - B - a. (Continued)

- a. Allocations entered in Line 13 of the last report should be added to the total of Line 1 when preparing the current report.
- b. Amounts not Covered by Notes - This figure usually will be derived after the amount recorded on Line 3 is entered. It is merely the difference between the total Installation allocations and the total approved Installation notes. Amounts entered on this line cannot be requisitioned as all funds advanced must be covered by notes.
- c. Total Installation Notes - Record on this line the aggregate dollar value of all Installation notes approved to date. This figure also will remain unchanged unless an Installation note is approved and recorded on Line 14 by REA on the last monthly report. The total of Lines 3 and 14 of the last report is the amount to be entered on line 3 of the current report.
- d. Cumulative Advances to Date - The amount to be recorded on this line is the total advances which have been received by your cooperative to date under your Installation Loan Contract. This figure is determined for the current report by adding the amount approved on your last report as entered by REA on Line 12, plus the cumulative advances to date as recorded on Line 4 of your previous monthly report.
- e. Total Approved Expenditures - The amount to be reported on this line is the dollar value of received invoices submitted and approved to date. Line 5 plus the amount approved on Line 7 of the previous report represents the correct figure to be entered on the current report.
- f. Advances Unaccounted For - The cumulative advances to date recorded on Line 4 less the total approved expenditures on Line 5 indicates the balance of advances unaccounted for. Such advances represent a combination of the items reported on Lines 7, 8 and 9. Therefore, the total of the amounts entered on these lines should always equal the amount recorded on Line 6.
- g. Received Invoices Now Submitted - The dollar value of received invoices submitted for REA approval on the current report is to be entered on this line. This amount will agree with the total entered on Line 1, Block C, SCHEDULE OF EXPENDITURES. If, for any reason, some of the receipts submitted cannot be approved, the amount which is approved will be adjusted by REA. The adjusted amount should then be the figure which is added to the total approved expenditures on Line 5 when determining the total approved expenditures on subsequent monthly reports.

CHAPTER IV. - B- (Continued)

- h. Received Invoices Not Submitted - If you are unable to submit received invoices in support of a disbursement made from installation loan funds during the month, the total of such disbursements should be entered on this line. This should agree with the total as shown on Line 2 in Block C, SCHEDULE OF EXPENDITURES.
- i. Cash Balance (per books) - This line is for reporting the book balance of cash as of the date of the report. It should agree with the balance of account 120.3, Cash--REA Installation Loan Fund, as of the end of the month.
- j. Unadvanced Allocations Under Note - The amount reported on this line represents the maximum amount which may be requested, until other notes are made. It is the difference between line 3, Total Installation Notes, and Line 4, Cumulative Advances to Date. In no case should the advance now requested be in excess of the amount of unadvanced allocation under notes, unless notes have been executed since the last report.
- k. Advance Now Requested Under Section 5 of the REA Act - The amount requested on the current requisition should be entered on this line. This should agree with the amount of the public voucher, (REA Form Fi-9), which must accompany all requests for funds.
- l. Advance Approved - Upon study of your monthly Installation Loan Report, REA will enter the amount of advance approved on the current requisition.
- m. New Allocations Recorded - Upon receipt of Installation allocations approved since the last monthly report, REA will enter the amount of new allocations on this line.
- n. Installation Notes Since Last Monthly Report - The dollar value of Installation notes received and approved since the date of the last report will be entered by REA on this line.

C. Schedule of Expenditures

This schedule is that portion of the form set aside for the listing of all expenditures of Installation Loan Funds. As in the case of construction fund disbursements, it is necessary to submit original received invoices to support the disbursement of Installation Loan Funds. Such received invoices should be submitted in proper form currently and listed on the left side of Block C, SCHEDULE OF EXPENDITURES, indicating the check number, the receipt number, the name of the contractor (payee), and the amount of the

CHAPTER IV. - C. (Continued)

check. The received invoices listed should be attached to and submitted with the current Monthly Installation Report.

Disbursements made during the month for which received invoices were not obtained should be listed on the right side of Block C, SCHEDULE OF EXPENDITURES, under the caption "Not Submitted." However, cooperatives are cautioned to obtain proper received invoices in duplicate at the time of making the disbursement, and submit them with the Monthly Installation Loan Report for the month in which the disbursements were made. Effort should be made to keep current in submitting proper received invoices to preclude the possibility of having requisitions for funds disapproved for this reason.

If more space is required for scheduling received invoices now submitted, the reverse side of the form may be used, or the columns under the caption "Not Submitted" may be utilized by striking out the word "Not" and "Enter Total on Line 8 (above)" provided the columns "Not Submitted" are not needed.

In some instances, received invoices may be returned because they are not in proper form. Should this occur immediate steps should be taken to have the invoices properly amended in accordance with instructions given in the letter of transmittal, returning such invoices. Disbursements made during the month should be accounted for not later than the 10th of the succeeding month. Received invoices returned because of improper preparation should be submitted on the following monthly report.

In other instances, invoices may be returned because the disbursement was not a proper disbursement under the Installation Loan Contract. Should this occur, immediate reimbursement should be made to the Installation Loan Fund for the amount of the disapproved expenditure. The amount thereupon becomes an expenditure of general funds.

D. Certification

Before submitting the Monthly Installation Loan Report to REA the signatures of the system manager and the treasurer are necessary to execute the form properly. This certification attests to the fact that the cash balance as reported on Line 9 of Block B, REQUISITION-EXPENDITURE REPORT, is the correct cash balance per books as of the end of the month. The account balance is carried in Account 120.3, Cash--REA Installation Loan Fund. It is also a certification that the expenditures listed in the schedule were made in accordance with the provisions of the Installation Loan Contract and supplemental instructions as issued by the Administrator.

# MONTHLY INSTALLATION LOAN REPORT

(Statement of Purposes, Requisition-Expenditure Report)

**System Designation**

Date Received in REA

For Month Ending

System Register Number:-

REA Register Number: -

#### A. STATUS OF LOANS TO CONSUMERS

Purposes	Loans During Month		Total Loans To Date	
	Number	Amount in \$	Number	Amount in \$
1. Wiring, including Lighting Fixtures				
2. Plumbing and Plumbing Fixtures				
3. Appliances and Equipment				
4. Special				
5.				

**REQUISITION - EXPENDITURE REPORT**

1. Total Installation Allocations	10. Unadvanced Allocation Under Notes
2. Amounts Not Covered by Notes	11. Advance Now Requested Under
3. Total Installation Notes	Section 5 of the REA Act
4. Cumulative Advances to Date	
5. Total Approved Expenditures	
6. Advances Unaccounted for	
7. Received Invoices Now Submitted	For REA Use:
8. Received Invoices Not Submitted	
9. Cash Balance (per books)	
	12. Advance Approved
	13. New Allocations Recorded
	14. Installation Notes Since
	Last Monthly Report

**C. SCHEDULE OF EXPENDITURES**

1. Enter Total on Line 7 (above)

2. Enter Total on Line 8 (above)

**CERTIFICATION**

I certify that I have checked the foregoing report and that same is true and correct, and that all Installation Loans were made in accordance with the Borrower's Installation Loan Contract and all instructions from REA.

CHAPTER IV. (Continued)

2. Attorney's Opinion

Although Consumer's Obligations are to be retained in the co-operative's custody, they are nevertheless a part of the collateral supporting advances made to the cooperative by REA under the Installation Loan Contract. For the protection of the cooperative as well as the Government, the cooperative is required to submit to its attorney by the end of each month all contracts, notes, and other instruments evidencing consumer obligations purchased during the month. The attorney shall, in turn, examine the obligations to determine their validity. They should be returned to the cooperative accompanied by three copies of Form L-150, Attorney's Opinion, in sufficient time for two copies of the Opinion to be attached to a copy of the Monthly Installation Loan Report for submission to REA.

Opinion - Validity of Consumer paper

10/25/45

L-150

194-

Honorable Claude R. Wickard, Administrator  
Rural Electrification Administration

Re: \_\_\_\_\_

Gentlemen:

I have examined the instruments (hereinafter called the 'Obligations') covered by the Monthly Installation Loan Report, dated \_\_\_\_\_ 194 \_\_\_\_\_ made by \_\_\_\_\_ (hereinafter called the "Cooperative") to your Administration, and have also examined all assignments and endorsements of the Obligations by dealers and contractors (hereinafter collectively called the "Dealers") to the Cooperative, and by the Cooperative to the United States of America (hereinafter called the "Government").

I am of the opinion that all of the Obligations except those listed below are in proper and legal form and are the valid and binding obligations of the parties thereto in accordance with their terms; that all of the Obligations have been duly endorsed, assigned and transferred by the Dealers to the Cooperative, in turn, to the Government; that the endorsement or assignment is in each case valid and binding; and that the Government is now the valid and legal holder and owner of all the Obligations. The following obligations have been returned to the borrower for appropriate corrective action:

I further confirm the fact that each of the Obligations has been duly stamped on its face with a legend reading substantially as follows: 'This instrument has been assigned to and is the property of United States of America'.

Very truly yours,

Note: An opinion of counsel substantially in the above form on the letterhead of counsel for the Borrower, should be attached to one copy of each Monthly Installation Loan Report of the Borrower.

ILLUSTRATED INSTRUCTIONS FOR FILLING IN VOUCHER  
FOR PAYMENT UNDER INSTALLATION LOAN CONTRACT

This form must be prepared in accordance with marginal instructions and submitted with each request for funds. If no funds are requested on the current Monthly Installation Loan Report it will not be necessary to prepare the Public Voucher.

EXACT NAME OF CORPORATION AS SHOWN IN LOAN CONTRACT  EXACT DATE OF LOAN CONTRACT AS SHOWN ON TITLE PAGE  REFER TO TITLE PAGE OF INST LOAN CONTRACT  OFFICIAL PROJECT DESIGNATION  NAME OF APPROVED BANK HERE  EXACT NAME OF CORPORATION  SIGNATURE OF OFFICER APPROVED BY THE BOARD AND OFFICIAL TITLE	Form RMA-PI-9-REV Permitted by Comptroller General, U. S. July 20, 1938	<div style="text-align: center;"> <b>DEPARTMENT OF AGRICULTURE</b>  <b>RURAL ELECTRIFICATION ADMINISTRATION</b>    <b>PUBLIC VOUCHER FOR PAYMENT UNDER</b>  <b>INSTALLATION CONTRACT</b> </div> <div style="text-align: center; margin-top: 10px;">         THE UNITED STATES, D.C.,          To _____, _____, _____, Payee.          Address: _____          (Borrower)       </div> <div style="text-align: center; margin-top: 10px;">         Payment in the amount stated herein is requested under Installation Loan Contract No. _____, dated _____, 19_____, to provide funds for REA Installation Project _____, to be employed by the payee for such of the purposes specified in the Statement of Purposes, to be filed in the offices of the Rural Electrification Administration, as shall be approved by the Administrator of the Rural Electrification Administration under and pursuant to the provisions of said Installation Loan Contract.       </div> <div style="text-align: center; margin-top: 10px;">         I CERTIFY that the amount of this payment is required for the above Installation Project, in accordance with the provisions of the above Installation Loan Contract, and that the proceeds will be deposited in the Special Installation Account of the undersigned in the _____ Bank and will be used only in accordance with the provisions of said loan contract.       </div> <div style="text-align: center; margin-top: 10px;">         (Borrower)          By _____          (Title)       </div> <div style="text-align: center; margin-top: 10px;">         I CERTIFY that the payee has complied with all the provisions of the above Installation Loan Contract therein required to be performed in order to obtain the payment approved under this voucher; that all certificates, statements and documents, and the obligations required from the borrower in connection herewith by the provisions of said Installation Loan Contract have been received, examined, and found to be satisfactory; and payment is approved.       </div> <div style="text-align: center; margin-top: 10px;">         _____          (Name)          Approved for _____          (FOR USE OF REA ONLY)          _____          (Title)       </div> <div style="text-align: center; margin-top: 10px;">         ACCOUNTING CLASSIFICATION (For completion by administrative office)       </div> <div style="text-align: center; margin-top: 10px;"> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="width: 25%;">APPROPRIATION, LIMITATION OR PROJECT SYMBOL</th> <th rowspan="2" style="width: 45%;">APPROPRIATION TITLE</th> <th colspan="2" style="width: 30%;">LIMITATION OR PROJECT</th> <th colspan="2" style="width: 30%;">APPROPRIATION</th> </tr> <tr> <th style="width: 15%;">AMOUNT</th> <th style="width: 15%;">AMOUNT</th> <th style="width: 15%;">AMOUNT</th> <th style="width: 15%;">AMOUNT</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>   <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="width: 25%;">ALLOTMENT SYMBOL</th> <th rowspan="2" style="width: 20%;">AMOUNT</th> <th rowspan="2" style="width: 20%;">ENCUMBRANCE LIQUIDATED</th> <th colspan="2" style="width: 20%;">COST ACCOUNT</th> <th colspan="2" style="width: 20%;">OBJECT OF EXPENDITURE</th> </tr> <tr> <th style="width: 10%;">Symbol</th> <th style="width: 10%;">Amount</th> <th style="width: 10%;">Symbol</th> <th style="width: 10%;">Amount</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> </div> <div style="text-align: center; margin-top: 10px;">         Paid by Check No. _____ dated _____, 19_____, for \$ _____       </div> <div style="text-align: center; margin-top: 10px;">         on Treasurer of the United States          in favor of payee named above.       </div> <div style="text-align: right; margin-top: 10px;">         OFFICIAL PROJECT DESIGNATION            REFER TO TITLE PAGE OF INST. LOAN CONTRACT            D. O. Vou. No. _____          Bu. Vou. No. _____       </div> <div style="text-align: right; margin-top: 10px;">         PAID BY—            (For use of Paying Office)            Proj. Designation _____          Contract No. _____          Area _____       </div> <div style="text-align: right; margin-top: 10px;">         AMOUNT REQUESTED MUST AGREE WITH LINE 11 OF THE MONTHLY INSTALLATION LOAN REPORT       </div> <div style="text-align: right; margin-top: 10px;">         THIS BLOCK FOR USE OF REA ONLY       </div>	APPROPRIATION, LIMITATION OR PROJECT SYMBOL	APPROPRIATION TITLE	LIMITATION OR PROJECT		APPROPRIATION		AMOUNT	AMOUNT	AMOUNT	AMOUNT																									ALLOTMENT SYMBOL	AMOUNT	ENCUMBRANCE LIQUIDATED	COST ACCOUNT		OBJECT OF EXPENDITURE		Symbol	Amount	Symbol	Amount																								
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INSTRUCTIONS FOR DUPLICATE COPIES

Do not sign duplicates  
Fill in original and two duplicates and  
Forward all 3 copies to REA.

This form is submitted to the United States Treasury by the REA. It cannot be accepted unless prepared correctly.

## CHAPTER V. MAKING THE LOAN TO THE CONSUMER

### 1. Consumer's Application for Financing

A. "Consumer's Application for Financing," (form illustrated below) may be used by the cooperative to obtain the necessary information from the individual consumer for consideration by the Credit Committee of each request for financing. Application forms should be duplicated by the cooperative. After consideration by the Credit Committee they should be retained by the cooperative.

#### CONSUMERS'S APPLICATION FOR FINANCING

194

To: \_\_\_\_\_

1. I desire to (a) have wiring installed in the premises specified below, or have plumbing installed therein, or purchase and install therein electrical and plumbing appliances and equipment, all as set forth on the schedules attached hereto, (b) have said installations performed by, or purchase said appliances and equipment from, the following contractor(s) or supplier(s), and (c) make the following down payments:

Name of Contr. or Supplier:	Wiring Installation	Plumbing Installation	Plumbing Fixtures	Electric Lighting Fixtures, Appliances, Equipment
Address:	_____	_____	_____	_____
Total Cash Price:	_____	_____	_____	_____
Down Payment:	_____	_____	_____	_____
Balance Cash Price:	_____	_____	_____	_____
Payable:	_____	_____	_____	_____

(Designate monthly, quarterly, semi-annually, or annually)

In: \_\_\_\_\_ Mos. \_\_\_\_\_ Mos. \_\_\_\_\_ Mos. \_\_\_\_\_ Mos.

and I make application for the financing of the balance(s) of such cash price(s), the indebtedness resulting therefrom to be repaid as set forth above.

2. In connection with this application, I set forth the following information:

b. I am now purchasing the following on credit on the following terms:

a. Credit References	Name	Address
Bank	_____	_____
Stores	_____	_____
Family Doctor	_____	_____
Two others	_____	_____

b. I am now purchasing the following on credit on the following terms:

Description	Seller's Name	Payments	Maturity Date
_____	_____	_____	_____

c. If owner of premises is other than applicant give name and address of owner:

d. If applicant is owner, set forth the following information concerning mortgages and liens:

Name of Mortgagor or other Lienor	Address	Description of Mortgage or Lien	Amount	Maturity Date
_____	_____	_____	_____	_____

e. Premises:

Length of time living thereon \_\_\_\_\_ No. acres \_\_\_\_\_ Est Value \_\_\_\_\_

3. If this application is approved, I will execute such instruments and secure such releases and consents from mortgagees and other lienors as may be prescribed by you.

4. I hereby warrant that all information contained herein is true and correct.

Name of Consumer

Address

#### RECOMMENDATION OF CREDIT COMMITTEE

Preliminary approval to the financing applied for in the foregoing application is hereby given, as follows:

Total amount approved for financing	Intervals at which payments are to be made	Number of years in which debt shall mature
Wiring Installation: _____	_____	_____
Plumbing Installation: _____	_____	_____
Electric Equipment and appliances: _____	_____	_____

This approval is based only upon the applicant's credit standing. Final approval is dependent upon the execution of satisfactory instruments of indebtedness and security.

Credit Committee:

(Chairman)

CHAPTER V. (Continued)

2. Terms of Financing

Loans by REA Cooperatives to consumers for financing wiring, plumbing, and electrical equipment through loans made pursuant to Section 5 of the Rural Electrification Act shall be made in accordance with the following terms and conditions.

- A. Interest at 4 percent per annum on the current unpaid balance.
- B. The minimum amount of any such loan shall not be less than \$10.00.
- C. The maximum amount of any such loan shall be \$500.00 unless the borrower receives prior approval from REA for a larger amount.
- D. It is recommended that the down payment on equipment to be financed be 20 percent of the installed price, but in no event less than 10 percent of the installed price.
- E. The repayment period for such loans shall not exceed 5 years.
- F. Repayments on such loans may be on a monthly, quarterly, semi-annual, or annual basis.
- G. These terms and conditions are subject to regulations of the Federal Reserve Board and other agencies governing consumer financing and credit transactions. Copies of Regulation 'W' of the Federal Reserve Board may be obtained from your nearest Federal Reserve Bank.

3. Dealer Recourse

All contracts covering the purchase and installation of electrical equipment and appliances must be endorsed on a recourse basis by the dealer selling the equipment or appliances. In other words, if the consumer fails to meet the obligations of the contract, the dealer must meet the payments.

Endorsement with recourse by the contractor or dealer will not be required on wiring and plumbing installations.

CHAPTER V. (Continued)

4. Preparation of Conditional Sale Contracts, Forms AL-70 and AL-71  
See illustrations on Pages 16 a, b, c.

Except in states\* where special contract forms and procedures have been devised to meet special conditions, Forms AL-70 and AL-71 will be supplied to cooperatives by REA for use in making consumer loans. These forms replace Forms AL-2 and UT-75. Requests for Forms AL-70 and AL-71 should be made to the Applications and Loans Division.

\*The Office of the Solicitor will advise cooperatives using Installation Loan funds in those states where special contract forms are required.

A. Form AL-70 -Wiring, Plumbing and Conditional Sale Contract

This form will be used for financing wiring and plumbing installations including lighting and plumbing fixtures and does not carry recourse on the contractor. It must be executed in triplicate, one copy each for the cooperative, the consumer and the contractor, exactly in accordance with the following instructions: (See also Page 16)

Line 1. Enter date on which job was contracted.

Line 2. Enter name of consumer.

Line 3. Enter name of contractor.

Paragraph (a), (b), (c). Secure prices from Schedules A, B, C and D on reverse side of contract.

Paragraph 2-A. Down payment of 20% is recommended, but a minimum of 10% is permissible.

Note: The down payment must include additional amount required to permit the regular periodic payments on unpaid principal to be made in even dollars.

Paragraph 2-C. Item (a) minus item (b). This must be in even dollars, and in such amount as to make regular periodic payments on principal in dollars.

Note: Finance charges will not be shown on the contract since interest is to be computed on the unpaid principal at the time each principal payment is made and added to each principal payment.

CHAPTER V. 4-A (Continued)

For Example:

The consumer elects to pay the wiring loan in monthly installments over a period of 18 months, making a down payment of 10 percent.

a. Total cash price \_\_\_\_\_ \$ 262.10

Plus additional amount required

to make payments on unpaid principal in even dollars \_\_\_\_\_

1.89

28.10

c. Balance to be financed (Option 2) \$234.00

Note: Refer to Pages 23 and 24 for time table and instructions for computing interest on consumer obligations.

Paragraph 2 - Option 1. To be used for cash payment only.

Paragraph 2 - Option 2. For appropriate number of payments and interval of payments refer to Regulation "W", Consumer Credit Bulletin of Federal Reserve Board. To secure amount of each regular installment on principal, divide Balance to be Financed (2-C) by total number of installments to be made.

Line 14. Signature of Buyer (consumer) and signature of Seller (contractor) must be in ink.

The Assignment By Seller to Cooperative must be in ink. If seller is a corporation, insert title of person executing for the corporation.

Assignment of Consumer Obligation to the Government  
The Statement, "This instrument has been assigned to and is the property of the United States of America", which is overprinted on the face of Form AL-70, must bear the name of the cooperative and be signed by the Treasurer to show the lien of the Government on each consumer obligation.

ILLUSTRATED INSTRUCTIONS FOR PREPARING FORM AL-70  
WIRING, PLUMBING, AND CONDITIONAL SALE CONTRACT

Fill out forms in triplicate exactly in accordance with marginal instructions as indicated by arrows and as explained on pages 14, 15, and 16.

NAME OF CONSUMER

NAME OF CONTRACTOR

RE A Form AL-70  
(2-26-46)

WIRING, PLUMBING, AND CONDITIONAL SALE CONTRACT

CONTRACT between \_\_\_\_\_

ENTER DATE ON WHICH JOB WAS CONTRACTED

SECURE PRICES FROM SCHEDULES A B C & D ON REVERSE SIDE OF CONTRACT

1. Subject to the terms and conditions herein set forth, Seller and Buyer agree to perform such of the following as is indicated on the schedules on the reverse side hereof:

(a) Wiring Installation.--Seller will install such electric wiring as is specified in Schedule A, for which Buyer will pay a cash price of \_\_\_\_\_.

(b) Plumbing Installation.--Seller will install such plumbing installations as are specified in Schedules B and C, for which Buyer will pay a cash price of \_\_\_\_\_.

(c) Plumbing and Lighting Fixtures.--Seller will sell and install, and Buyer will purchase, the plumbing and lighting fixtures described in Schedules B and D, respectively (hereinafter sometimes called the "property"), at the cash price of \_\_\_\_\_.

(all of the installations described in or required by Schedules A, B, C and D being hereinafter collectively called the "installations"). Seller will complete all installations in the premises of Buyer specified below within days after the date hereof.

2. Buyer agrees to pay for the property and installations as follows:

Buyer has paid the Down Payment (item b) to Seller, or will make such payment on or before the commencement of the installations. Buyer will pay the balance set forth in item c as provided in Option \_\_\_\_\_ specified below.

OPTION 1. Cash Payment Plan.--Buyer will pay the Balance (item c) immediately upon the satisfactory completion of the installations as determined by the Inspector referred to in section 3 hereof.

OPTION 2. Time Payment Plan.--Buyer will pay the BALANCE TO BE FINANCED (item c), at such place as Seller shall direct, in \_\_\_\_\_ equal consecutive (Number) installments of \$ \_\_\_\_\_ (Monthly, quarterly, semi-annual, annual) plus interest at 4 percent per annum on the current unpaid balance, commencing \_\_\_\_\_, all payments to be applied pro rata against the price of each item.

3. Seller warrants that all installations, and the property as installed, will comply in all respects with: (a) the National Electrical Code; (b) all requirements and specifications of the Administrator of the Rural Electrification Administration in effect at the date hereof; and (c) all laws and regulations of all governmental authorities. Seller agrees that, upon completion of the installations such inspections and tests thereof as shall be required by said Administrator or by law shall be made.

All such inspections and tests shall be made at Buyer's expense and by an inspector or inspectors approved by said Administrator. Seller guarantees all materials, property, and workmanship against defects not due to ordinary wear and tear, accident, or improper use or care, for 1 year from the date of completion of the installation thereof. Seller will, at Seller's own expense, promptly replace any materials or property, and correct any workmanship, found not to be in compliance with the provisions of this section.

4. All installations shall, from commencement to completion, be under the charge of Seller, and Seller shall make good all injuries, damages and repairs occasioned or rendered necessary by fire or other causes over which Seller shall have control, and shall hold Buyer harmless from any and all claims for injuries to persons or for damage to property happening by reason of any neglect, default, or misconduct on the part of Seller, its agents or employees.

5. Title to the property shall remain in Seller until payment in full therefor is made by Buyer as herein provided, at which time title thereto shall pass to Buyer. It is expressly agreed that the property and each and every item thereof, irrespective of the manner of its attachment to or use in conjunction with any building or structure, or the consequence of its being severed from such building or structure, shall remain personal property, and nothing shall prevent Seller from removing any or all of the property or any breach of this contract.

6. Until payment is made in full therefor, as herein provided, Buyer will keep the property in good order, condition and repair, free of liens and encumbrances, will not make, secrete or remove any part of the property from Buyer's premises specified below, and will not lend, sell, mortgage, lease, loss possession of, or in any manner dispose of or transfer the property, or any interest therein, without the written consent of Seller.

7. Risk of loss, damage, or destruction to the property shall be borne by Buyer, and such loss, damage, or destruction shall not release Buyer from any obligation hereunder.

8. Time is of the essence of this contract. Upon default by Buyer in the making of any payment provided for herein, or failure to comply with any of the conditions or covenants hereof, or if Seller has reason to believe that the payment of any amount due and owing hereunder will not be made in accordance with the provisions hereof, or if the property is in danger of misuse, or if Buyer permits the property to become subject to any levy or execution by any officer, or if a petition in bankruptcy or for a receiver be filed by or against Buyer, the full amount then owing hereunder shall immediately become due and payable at the option of Seller, and Seller may, without notice, demand, or legal process, take possession of the property, wherever located, and remove the same, and Buyer hereby expressly consents to entry upon his premises for such purposes.

9. In the event Seller retakes possession of the property, Seller may retain all payments made, not by way of penalty, but for the reasonable use of the property. Seller may make any repairs to, or disposition of, the property deemed advisable, and may resell the property without legal procedure, at any time or place, at public or private sale, without demand for performance, without notice, without having the property at the place of sale, and upon such terms and in such manner as Seller may determine. Seller may bid at any such sale and may become the purchaser of the property. Out of the proceeds of such sale, there shall first be paid all expenses incurred in retaking, holding, repairing and selling the property, including interest and reasonable attorney's fees, and the balance shall be applied to the payment of the balance due under this contract. The surplus, if any, shall be paid to Buyer. Buyer will pay any deficiency. Buyer waives any claims, demands, or damages arising out of repossession, retention, or sale of the property.

10. All rights and remedies hereunder are cumulative. The receipt or acceptance by Seller of partial payment of any amount due hereunder, or of any amount after default, or any renewal or extension of any payment due hereunder, or the failure of Seller promptly to exercise any of the remedies herein provided, shall not be deemed to be a waiver of any default or breach hereunder, or to release Buyer from the strict performance of the obligations, conditions, or covenants hereunder, or to prevent Seller from pursuing any or all of the remedies provided hereunder. Waiver of any breach or default shall not constitute a waiver of any other breach or default.

THIS MUST BE IN EVEN DOLLARS. TO CERTAIN THIS AMOUNT DIVIDE BALANCE TO BE FINANCED BY TOTAL NUMBER OF INSTALLMENTS

TIME INTERVAL AFTER DATE OF CONTRACT MUST BE IDENTICAL WITH PERIODS OF PAYMENTS

THIS AMOUNT SHOULD INCLUDE ADDITIONAL CENTS REQUIRED TO LEAVE BALANCE TO BE FINANCED IN EVEN DOLLARS AND REGULAR PAYMENTS ON PRINCIPAL IN EVEN DOLLARS

THIS MUST BE IN EVEN CENTS AND IN SUCH AMOUNT AS TO MAKE REGULAR PAYMENTS ON PRINCIPAL IN EVEN DOLLARS

INTEREST WILL BE COMPUTED WHEN EACH REGULAR PAYMENT ON PRINCIPAL IS MADE

## ILLUSTRATED INSTRUCTIONS FOR PREPARING REVERSE SIDE OF FORM AL-70

11. All right, title, and interest of Seller in and to this contract may be sold or assigned. Buyer understands and agrees that the installations and the sale of the property are made possible by reason of the ability of Seller to so sell or assign Seller's said right, title, and interest, and, in order to induce such purchase or assignment, Buyer hereby expressly represents to any such purchaser or assignee that no warranties, representations, or guarantees were made to Buyer other than those contained herein, and hereby waives any and all defenses in respect of this contract on the ground of fraud, duress, mistake, want of consideration, or failure of consideration, or upon any other ground, which Buyer now has or hereafter may have against any such purchaser or assignee, and agrees that all rights of Seller hereunder shall vest in such purchaser or assignee, and that all moneys payable hereunder by Buyer shall be paid to such purchaser or assignee without recoupment, set-off, or counter-claim. In the event of any such sale or assignment, Seller shall not be released from any obligation of, or guaranty or warranty given or made by Seller as specified herein, nor shall any such obligation, warranty, or guaranty be deemed to apply to or be assumed by any such purchaser or assignee.

12. Seller will sell and install hereunder only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States, and only such manufactured articles, materials, and supplies as have been manufactured in the United States substantially all from articles, materials, and supplies mined, produced, or manufactured, as the case may be, in the United States.

13. Any provision of this contract which is unenforceable or contrary to law shall be ineffective but shall not invalidate the remaining provisions of this contract.

14. Buyer acknowledges receipt of a true executed copy of this contract and certifies that he fully understands all of its terms and conditions.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this contract in triplicate the day and year first above written.

MUST BE SIGNED  
IN INK BY CON-  
SUMER

194  
Credit  
Approved  
Chairman, Finance Committee.

(Buyer)

(Buyer's address)

(Seller)

by \_\_\_\_\_  
(Signature and title)

(Seller's address)

NAME OF CONTRAC-  
TOR—OBSERVE  
FOOTNOTE

EXACT CORPORATE  
NAME OF COOP-  
ERATIVE—REFER TO  
INSTALLATION  
LOAN CONTRACT

## ASSIGNMENT BY SELLER TO COOPERATIVE

For value received, the undersigned, designated as "Seller" in the foregoing contract, hereby sells, assigns, transfers, and sets over unto \_\_\_\_\_, without recourse against the undersigned, all of the undersigned's right, title, and interest in and to the foregoing contract and to the property therein described, and all rights and remedies thereunder, with power to such assignee to take all legal or other proceedings in the name of undersigned or assignee as undersigned might have taken, save for this assignment. The undersigned warrants that the Cash-down Payment was made as set forth in said contract, that undersigned had absolute title to said property, free and clear of any and all liens and encumbrances, at the time of the execution of said contract, and that there is now owing thereon the amount as set forth therein. This assignment shall not be deemed to affect in any manner whatsoever any obligation of, or guaranty or warranty given or made by, the undersigned as specified in said contract, nor shall any such obligation, guaranty or warranty be deemed to apply to, or to be assumed by, such assignee or any assigns of such assignee.

(Seller)\*

by \_\_\_\_\_  
(Signature and title)

194

\*Insert corporate or trade name of Seller. If Seller is a corporation, insert title of person executing for the corporation.

## ASSIGNMENT BY COOPERATIVE TO UNITED STATES OF AMERICA

For value received, undersigned hereby sells, assigns, transfers, and sets over to United States of America, or its agent, with recourse against the undersigned, all of its right, title, and interest in and to the foregoing contract and to the property therein described, and all rights and remedies thereunder, with power to such assignee to take all legal or other proceedings in the name of undersigned or assignee as undersigned might have taken, save for this assignment.

(Name of cooperative)

by \_\_\_\_\_  
(Signature and title)

194

ILLUSTRATION OF FORM AL-70, CONTINUED - SCHEDULE OF  
WIRING, PLUMBING, AND CONDITIONAL SALE CONTRACT

NOTE: Amounts shown are for illustration only and do not represent any particular installation.

CHAPTER V. 4 (Continued)

B. Form AL-71 Conditional Sale Contract

This form will be used for financing the acquisition and installation of electrical equipment and appliances and must be endorsed on a recourse basis by the dealer. It must be executed in triplicate, one copy each for the cooperative, the consumer and the dealer, in accordance with the following instructions: (See also Page 18)

Line 1. Enter date of delivery of equipment or appliance and name of consumer.

Line 2. Enter name of dealer.

Paragraph 1. Enter in appropriate columns description of property.

Paragraph 2. For appropriate number of payments and interval of payments, where applicable refer to Regulation "W", Consumer Credit Bulletin of Federal Reserve Board. To secure amount of each regular installment on principal divide Balance To Be Financed (2-C) by total number of installments to be made.

Paragraph 2-a. Enter total cash price of merchandise.

Paragraph 2-b. For permissible minimum amount of down payment, refer to Regulation "W", Consumer Credit Bulletin of the Federal Reserve Board.

Note: The down payment must include additional amount required to permit the regular periodic payments on unpaid principal to be in even dollars.

Paragraph 2-c. Item (a) minus item (b). This must be in even dollars and in such amount as to make regular periodic payments on principal in even dollars.

Note: Finance charges will not be shown in the contract since interest is to be computed on the unpaid principal at the time each principal payment is made and added to each principal payment.

CHAPTER V. 4-B (Continued)

For Example:

The consumer makes a down payment of 1/3 of the retail price, the balance to be repaid in quarterly installments over a period of 12 months.

a. Total Cash Price		\$295.00
b. Down payment : 33-1/3%	\$98.33	
Plus additional amount required to make payments on principal in even dollars	4.67	<u>103.00</u>
c. Balance to be Financed		\$192.00

Note: Refer to Page 24 for time table and instruction for computing interest on consumer obligations.

Signatures: (reverse side of contract)

The signature of Buyer (consumer) and the signature of Seller (dealer) must be in ink.

The assignment by seller to cooperative must be in ink.

Assignment of Consumer Obligation to the Government

The statement, "This instrument has been assigned to and is the property of the United States of America," which is over-printed on the face of Form AL-71, must bear the name of the cooperative and be signed by the Treasurer to show the lien of the Government on each consumer obligation.

5. Disposition of Conditional Sale Contracts (Forms AL-70 & AL-71).

After consumer obligations (Conditional Sale Contracts, Notes, or other instruments evidencing consumer obligations) have been examined by the attorney, the cooperative should retain them in a safe place. A separate file should be maintained, which may be set up alphabetically or numerically by obligations. The latter method, however, requires reference to the Check Register when locating the consumer obligation.

ILLUSTRATED INSTRUCTIONS FOR PREPARING FORM AL-71 CONDITIONAL SALE CONTRACT

Fill out forms in triplicate exactly in accordance with marginal instructions as indicated by arrows and as explained on pages 16 and 17.

CONDITIONAL SALE CONTRACT				
Contract dated <u>194</u> , between <u>Buyer</u> and <u>Seller</u> .				
1. Seller hereby sells and Buyer hereby purchases, upon and subject to the terms and conditions hereinafter set forth, the chattel(s) (hereinafter called the "property") described below, the receipt whereof in good condition by Buyer is hereby acknowledged, to wit:				
QUANTITY	DESCRIPTION OF PROPERTY	MANUFACTURER	MANUFACTURER'S CATALOG NO.	CASH PRICE
GIVE COMPLETE DESCRIPTION OF EQUIPMENT OR APPLIANCE				
INSERT APPROPRIATE NUMBER OF PAYMENTS REFER TO REG. "W"				
INSERT APPROPRIATE INTERVAL OF PAYMENTS REFER TO REG.				
THIS MUST BE IN EVEN DOLLARS TO OBTAIN THIS AMOUNT, DIVIDE BALANCE TO BE FINANCED BY TOTAL NUMBER OF INSTALLMENTS				
TIME INTERVAL; AFTER DATE OF CONTRACT, MUST BE IDENTICAL WITH PERIODS OF PAYMENTS				
2. The price for the property is computed as follows: Buyer has paid to Seller the Down Payment (item b), receipt of which by Seller is hereby acknowledged. Buyer agrees to pay the BALANCE TO BE FINANCED (item c) in <u>194</u> (Monthly, quarterly, semi-annual, annual) installments, of \$ <u>194</u> each on principal, plus interest at 4 percent per annum on the current unpaid balance, commencing				
3. Title to the property shall remain in Seller until the BALANCE TO BE FINANCED, plus interest, is paid in full, at which time title shall pass to Buyer.				
4. Buyer will keep the property in good order, condition, and repair, free of liens, taxes, and encumbrances; will not misuse, secrete, or remove any part of the property from the premises of Buyer specified below; and will not sell, convey, mortgage, lease, or in any manner dispose of or encumber or transfer the property, or any interest therein, without the written consent of Seller.				
5. Risk of loss, damage, or destruction to the property shall be borne by Buyer, and such loss, damage, or destruction shall not release Buyer from any obligation hereunder.				
6. Time is of the essence of this contract. Upon default by Buyer in payment of the payments, conditions, or covenants hereof, or if Seller deems the debt in default, or if the property is in danger of misuse, or is stolen, lost, damaged, or totally or partially destroyed, or if Buyer fails to become subject to any levy or execution by any officer, or if a petition in bankruptcy for a receiver be filed by or against Buyer, the full amount owing hereunder shall immediately be paid at the option of Seller, and Seller or his duly authorized agent, with or without notice, demand, or legal process, may take possession of the property, wherever located, and remove the same, and Buyer hereby consents to enter upon his premises for such purpose.				
7. In the event Seller retakes possession of the property or any portion thereof, Seller may retain all payments made by Buyer prior thereto (other way of penalty) but for the reasonable use thereof; Seller may make such repairs to the property as Seller shall deem necessary; and Buyer hereby appoints Seller his agent and attorney-in-fact to sell the property at any time of place, at public or private sale, without demand for performance, without notice, and with or without having the property at the place of sale. Out of the proceeds of any such sale there shall first be paid the expense of seizure, holding, removal, repairing, and sale, including interest and reasonable attorney's fees, and the balance thereof shall be applied to the payment of the balance due, and the surplus, if any, shall be paid to Buyer. Buyer shall pay any deficiency. Buyer waives any claim, demands, or damages arising out of repossession, retention, or sale of the property.				
8. The receipt or acceptance by Seller of partial payment of any amount due hereunder, or of any amount after default, or any renewal or extension of the time for payment of any amount due hereunder, or the failure of Seller promptly to exercise any of the remedies herein provided, shall not be deemed to be a waiver of any default or breach hereunder, or to release Buyer from the strict performance of the obligations or conditions hereunder, or to prevent Seller from pursuing any or all of the remedies provided hereunder. Waiver of any breach or default shall not constitute a waiver of any further breach or default.				
9. All right, title, and interest of Seller in, to, and under this contract may be assigned, and the word "Seller" wherever used herein shall include the legal representatives and assigns of Seller, but the right, title, and interest of Buyer in, to, and under this contract may not be assigned without the written consent of Seller.				
10. Any provision of this contract which is unenforceable or contrary to law shall be ineffective to the extent of such provision but shall not invalidate the remaining provisions of this contract.				
11. Buyer acknowledges receipt of a copy of this contract and certifies that he fully understands all of its terms and conditions.				

ENTER DATE OF DELIVERY OF EQUIPMENT OR APPLIANCE

ENTER NAME OF DEALER

REA Form AL-71  
(2-26-46)

ENTER NAME OF CONSUMER

GIVE TOTAL PRICE OF EQUIPMENT OR APPLIANCE

FOR MINIMUM PERMISSIBLE REFER TO REG. "W". THE DOWN PAYMENT MUST INCLUDE ADDITIONAL AMOUNT NECESSARY TO PERMIT REGULAR PAYMENTS ON PRINCIPAL IN EVEN DOLLARS

THIS MUST BE IN EVEN DOLLARS AND IN SUCH AMOUNT AS TO MAKE REGULAR PAYMENTS ON PRINCIPAL IN EVEN DOLLARS

## ILLUSTRATED INSTRUCTIONS FOR PREPARING REVERSE SIDE OF FORM AL-71

MUST BE SIGNED  
IN INK BY CON-  
SUMER

IN WITNESS WHEREOF the parties hereto have executed and delivered this contract the day and year first above  
written.

\_\_\_\_\_  
(Buyer) \_\_\_\_\_ (SEAL)

\_\_\_\_\_  
(Buyer's address)

\_\_\_\_\_  
(Seller)\*\* \_\_\_\_\_ (SEAL)

by \_\_\_\_\_ (Name and title)

\_\_\_\_\_  
(Seller's address)

NAME OF DEALER  
OBSERVE FOOT-  
NOTE

## ASSIGNMENT BY SELLER TO COOPERATIVE

For value received, the undersigned does hereby sell, assign, transfer, and set over, with recourse, all its  
right, title and interest in and to the foregoing contract and any and all property described therein to

\_\_\_\_\_  
together with all rights  
of action accrued or which may hereafter accrue hereunder, with power to such assignee to take all legal or other  
proceedings in the name of undersigned or assignee. Undersigned hereby warrants that the contents of the foregoing  
contract have been fully explained to Buyer.

\_\_\_\_\_  
(Seller)\*\* \_\_\_\_\_ (SEAL)

by \_\_\_\_\_

EXACT CORPORATE  
NAME OF COOP-  
ERATIVE—REFER TO  
INSTALLATION  
LOAN CONTRACT

## ASSIGNMENT BY COOPERATIVE TO UNITED STATES OF AMERICA

For value received, the undersigned does hereby sell, assign, transfer, and set over, with recourse, all its  
right, title, and interest in and to the foregoing contract and any and all property described therein to United  
States of America, acting through the Administrator of the Rural Electrification Administration, or its agent, to-  
gether with all rights of action accrued or which may hereafter accrue hereunder, with power to such assignee to  
take all legal or other proceedings in the name of undersigned or assignee. All warranties, covenants, terms, and  
provisions of the \_\_\_\_\_ Installation Loan Contract between undersigned and assignee are made a part hereof and  
incorporated herein by reference and are applied to the foregoing contract.

\_\_\_\_\_  
(Project designation) \_\_\_\_\_ (SEAL)

by \_\_\_\_\_ (Name and title)

\*\* Insert corporate, firm, dealer, or trade name of Seller. If Seller is a corporation, insert title of person  
executing for the corporation.  
\* Type or print all names inserted.

## CHAPTER VI. ACCOUNTING PROCEDURES FOR INSTALLATION LOANS

### 1. Recording an Allocation

Upon receipt of notification from REA that an allocation has been made, the amount of the allocation should be set up immediately in the cooperative records by journal entry as follows:

Debit 135.2, Allocation Available from REA-Installation

Credit 213.2, Long Term Debt-REA Installation

### 2. Recording an Advance of Funds

When an advance of funds has been received, the amount should be recorded on the Daily Cash Collection Sheet in a manner similar to the way construction advances were handled.

The effect of the journal entry on the Daily Cash Collection Sheet is as follows:

Debit 120.3, Cash-REA Installation Loan Fund

Credit 135.2, Allocation Available from REA-  
Installations

### 3. Payment to Contractor

When negotiations are entered into by the consumer with the cooperative to finance an installation loan, after proper execution of the conditional sales contract, a check is drawn payable to the contractor after the services are performed. Payment should be made during the month in which the contractor's invoice is received, or soon thereafter. The check is drawn on the Installation Account and an appropriate record is made of the disbursement in the Installation Loan Check Register maintained for recording disbursements of Account 120.3, Cash-REA Installation Loan Fund. Obtain receipted invoices in duplicate.

CHAPTER VI. 3 (Continued)

These invoices should indicate the purpose for which the disbursement was made, the amount, and the individual whose account is being settled. The contractor's invoice will be satisfactory provided it furnishes sufficient information regarding the transaction. A sample form of receipt is illustrated below which combines all information required and which may be used when several accounts are paid by one check.

STANDARD RECEIPT FORM

Check Number	Receipt Number	
Received from:		
SEWARD COUNTY RURAL PUBLIC POWER DISTRICT		
SEWARD, NEBRASKA		
The amount of: _____ \$ _____		
For Equipment, Materials and/or Services, as follows:		
For the Account of	Purposes	Amount
Received Payment _____		
By _____		

CHAPTER VI. (Continued)

4. REA Installation Loan Check Register

An Installation Loan Check Register, illustrated below, is maintained to record the disbursement of all Installation Loan Funds. In addition to being a register for all checks drawn on Account 120.3 Cash-REA Installation Loan Fund, the check register combines two additional features which disclose the type of loan as well as the obligation number and individual whose account is being paid. The type of loan is indicated by the insertion of a number representing the purposes for which the loan was made. The numeral "1" is the symbol designation for Wiring and Lighting Fixture Loans; Class "2" Loans are for plumbing fixtures; Class "3" Loans are for appliances and Class "4" Loans are for all other types of installation loans. In preparing the monthly Installation Loan Report, reference is made to the Check Register in order to recapitulate the loans made during the month, in each class.

Form FI-284

INSTALLATION LOAN CHECK REGISTER

Date	Check Number	Payee	For Account of	Type	Obliga- tion Number	Amount Cr. 120.3	Amount Cr. 124.1	Other Dr.	
								Amount	Acct.

NOTE: This sample is for form style only. Cooperative to furnish this form for standard size binders.

## CHAPTER VI. (Continued)

5. A consumer ledger should be set up for each consumer borrowing installation funds from the cooperative. This ledger should be in the form illustrated below and should be filed alphabetically. Spaces are provided for recording information relative to six obligations, as well as the status of the account including amount of principal and interest paid, and the balance of the obligation remaining.

**CONSUMER OBLIGATION LEDGER**

Form F1-246

Account No. \_\_\_\_\_

NAME: \_\_\_\_\_

**ADDRESS:**

NOTE: This sample is for form style only. Cooperative to furnish this form for standard size binders.

CHAPTER VI. (Continued)

6. Accounting for Interest Receivable

A normal practice is to record interest receivable of small loans as revenue when it is collected. This is not adhering strictly to the accrual basis which is recommended in the REA Manual of Accounts, but is the application of the cash basis. Interest should be computed on each individual obligation at the time of payment of an installment rather than computed at the end of each month and recorded as accrued interest receivable. The practice of computing and recording interest on a cash basis is practicable and acceptable since the amounts are relatively small and no appreciable distortion of income results.

The table shown on the following page may be used in computing interest at 4 percent on the unpaid balance of the consumer's obligation. For example: A consumer owes unpaid principal on his obligation in the amount of \$100.00 and on the 30th day his regular principal payment is \$10.00 plus interest on his obligation. You would first refer to the column labeled "\$100.00" to the line marked 30 days. It can readily be seen that he owes \$0.33 interest. His payment therefore would be \$10.33, ten dollars applied against principal and \$0.33 for interest. For a further example assume the unpaid principal is \$35.00 for 25 days. The amount of interest payable can be computed as follows:

	<u>20 days</u>	<u>5 days</u>
\$25.00	.0550	.0125
<u>10.00</u>	<u>.022</u>	<u>.005</u>
\$35.00	.0770	.0175
		<u>.0770</u>
		.0945

The amount of interest in this case would therefore be \$0.09 and if his regular principal payment is \$10.00 you would collect \$10.09

To compute interest in this manner, it is important that the down payment made by the consumer be of such amount as to permit payment on unpaid principal to be in even dollars.

CHAPTER VI. (Continued)

7. Time Table

For Computing Interest on Installation Loan  
(Based on 365 Day Year)

Days	\$1.00	\$5.00	\$10.00	\$25.00	\$100.00
1	.0001	.0005	.001	.0025	.01
2	.0002	.0010	.002	.0050	.02
3	.0003	.0015	.003	.0075	.03
4	.0004	.0020	.004	.0100	.04
5	.0005	.0025	.005	.0125	.05
6	.0007	.0035	.007	.0175	.07
7	.0008	.0040	.008	.0200	.08
8	.0009	.0045	.009	.0225	.09
9	.0010	.0050	.010	.0250	.10
10	.0011	.0055	.011	.0275	.11
20	.0022	.0110	.022	.0550	.22
30	.0033	.0165	.033	.0825	.33
40	.0044	.0220	.044	.1100	.44
50	.0055	.0275	.055	.1375	.55
60	.0066	.0330	.066	.1650	.66
70	.0077	.0385	.077	.1925	.77
80	.0088	.0440	.088	.2200	.88
90	.0099	.0495	.099	.2475	.99
100	.0110	.0550	.110	.2750	1.10
200	.0220	.1100	.220	.5500	2.20
300	.0330	.1650	.330	.8250	3.30
365	.0400	.2000	.400	1.0000	4.00

CHAPTER VI. (Continued)

8. Accounting for Accrued Deferred Interest

In accordance with the terms of the Installation Note, interest is to accumulate for one year from date of note issuance. Therefore, so that the interest accumulated but deferred can be recorded on the books, the following journal entry will be recorded monthly.

Debit 530.2, Interest on REA Installation Note  
Credit 229.2, Interest Accrued-REA Installation Obligation

As accumulated interest becomes due and payable, the remittance is recorded by the following entry in the General Fund Check Register.

Debit 229.2, Interest Accrued-REA Installation Obligation  
Credit 120.1, Cash-- General

9. Collections on Account

Daily collections from consumers on their obligations should be recorded on the Daily Cash Collection Record. The Daily Cash Collection Record should be revised to include two additional credit columns unless the collections are too infrequent to warrant the provision of columns for account 124.2, Notes Receivable Pledged to REA, and account 524.2, Other Interest Revenue. That portion of collections from consumers representing interest should be deposited in account 120.1, Cash--General, whereas the portion which represents payment of principal by consumers on their obligations should be deposited in account 120.4, Cash-Installation Loan Payment. For example, collections of \$60.20 are received from consumers on their obligations, \$60 representing payments on principal and \$0.20 on interest. These collections, together with other collections made during the month, would be posted from the Daily Cash Collection Record to the Cash Received Register, as follows:

Debit 120.1, Cash--General \$00.20  
Debit 120.4, Cash-- Installation Loan Payment 60.00

Credit 124.2, Notes Receivable Pledged to REA \$60.00  
Credit 524.2, Other Interest Revenues .20

CHAPTER VI. (Continued)

10. Installation Loan Payment Check Register

An Installation Loan Payment Check Register, illustrated below, is maintained to record collections from consumers on Installation Loans. In addition to providing a register for all checks drawn on this cash account, the distribution to the various General Ledger accounts is provided. Postings to the appropriate accounts should be made monthly from this check register.

Form FI-26

INSTALLATION LOAN PAYMENT CHECK REGISTER

Sheet No. ....

Date	Check Number	Drawn in Favor Of		Amount Cr. 120.4	Amount Cr. 212.2	Other Cr.	
						Amount	Account

NOTE: This sample is for form style only. Cooperative to furnish this form for standard size binders.

CHAPTER VI. (Continued)

11. Remittances to REA

Under the Installation Loan Contract all collections of principal made during any month on consumer obligations must be remitted to RFC for the credit of REA by the 10th of the following month. Since the aggregate amount of these remittances may exceed the annual payments due under the Installation Note this procedure allows excess remittances to become advance payments, resulting in an interest saving to the cooperative.

Interest due will be billed at the close of the second year and annually thereafter, during the life of the Note, and these amounts should be remitted by the cooperative to RFC for the credit of REA.

The number of the Note or Notes to which remittances apply should be shown so that they may be properly credited.

At the close of the first year, advance payments will be applied to reduce the face amount of the Note, and will also be taken into account in computing the accumulated interest to be repaid during the remainder of the life of the Note.





